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Alberta's Treasury Branches: Their Purpos
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Alberta's Treasury Branches



*Their purpose and their place
in the Provincial Economy*

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Branches of the Treasury of Alberta.

(- Their purpose and their place in the Provincial economy -)

1. - Preamble.

1. In order to assess the value of the Treasury Branches system it is necessary to have an understanding of the basic principles of social organization which are involved in the development of Alberta's economy, for the Treasury Branches system is one of the mechanisms designed specifically for stimulating such development.
2. The purpose of organized community life, since the dawn of civilization, has been to enable individuals in association to gain for themselves substantial advantages which would be impossible to attain in isolation. In fact the belief inherent in society that its individual members in association can get the results they want is the very foundation of social life, and, for that matter, of the entire structure of civilization. To the extent the individuals of a community realize this belief - this credit in association or social credit - the community will be contented and will prosper. Conversely to the extent that they fail to gain the results they want, the community will be torn by dissatisfaction and strife, and it will tend to disintegrate.
3. The extent to which the individual members of a community will get the results they desire from their co-operative efforts will depend upon (a) the natural resources at their disposal, (b) their knowledge of how these can be converted into the goods they want, (c) the energy at their disposal for this purpose and (d) the efficiency of organization. Social life is primarily a matter of organization.
4. The only form of social organization that will enable the members of a community to realize their "credit in association" to the full is the one in which they are the supreme authority. Society organized on these lines, which we term "democracy," was a simple matter in the case of small primitive communities, but when applied to nations under our modern complex social structure, it requires ingenuity. Fortunately organization is no longer a haphazard affair of trial and error; it has evolved into a science resting on the firm foundation of fundamental principles which have been proven. The application of these principles to the complex structure of modern society alone can provide a sound foundation for a stable social order.
5. It will be apparent that democracy, if properly organized to give the people the results they want, is the natural form of society. Therefore it is essential to examine its basic principles and contrast these with any alternative forms of social organization.
6. The basis of democracy is that the people should be the supreme authority. It is a fundamental principle of organization that authority cannot exist without corresponding responsibility, and supreme authority must carry with it supreme responsibility in the exercise of that authority. It follows that in a democracy, the people being the custodians of all authority, and limited authority granted to individuals must be delegated by the people and must be withdrawable by them likewise. Further,

that all such delegated authority carries with it corresponding responsibility, in the final analysis, to the people.

7. Authority, without the means to enforce obedience, is non-existent. Therefore the people must likewise control the ultimate sanctions to assert their authority.
8. The foregoing considerations are applicable to the sphere of policy as distinct from administration, and at this point it is necessary to differentiate between these two aspects of organization.
9. Policy has to do with the determination of results. It is the broad course of action entailed in the attainment of specified results. It is in regard to the specification of the results they want that the people exercise their supreme authority.
10. Administration is concerned with devising and applying methods for achieving pre-determined results. It is essentially a function entailing personal responsibility, for it is impossible to have efficient administration unless the person with the necessary knowledge and experience is given a free hand to devise and apply the methods he considers best and he is held responsible for the results required. This entails conferring upon him authority commensurate with his responsibility.
11. It is fundamental to the operation of democracy that a clear line of demarcation should be drawn between policy and administration in the organization of the community's activities. The people, as the supreme authority, should be concerned only with determining the results they want. And in this connection it is necessary to stress that in the specification of such objectives a question of priority arises. Those results which are wanted by the greatest number will necessarily take precedence, but the wishes of the minority, cannot, in equity, be ignored. To the extent that it is possible to satisfy their wishes after precedence has been given to the will of those having a prior claim, under a properly functioning democracy the minorities should be able to gain the results they want. This is in contrast to the confusion which exists at present between democracy and majority rule.
12. The people, as the supreme authority, should be scrupulously careful to avoid expressing their approval or otherwise in regard to methods. Under any conditions, but particularly in our highly complex social structure, it requires specialized technical knowledge to devise and apply the methods for producing the variety of results which people want. In fact, in most spheres of activity it is difficult to get a group of men with the necessary qualifications to agree on the best method for attaining a given result, so it is manifestly absurd to imagine that the people as a whole, who, for the most part, lack the necessary specialized knowledge, would be able either to agree or to express an informed opinion on the methods necessary for achieving results regarding which they may be in complete agreement. Moreover, the necessity for personal responsibility in the sphere of administration requires that all questions of methods should be left to those responsible for giving effect to the will of the people.

13. To summarize: The people, as the supreme authority, must accept the responsibilities which this entails, specify in a coherent manner the results they want in their order of priority and be in a position to enforce obedience to their wishes. Administration must be left to those individuals with the necessary qualifications for the functions entrusted to them; they should be held responsible for producing the results required by the people, being given the authority in keeping with their responsibilities. The people should be able to remove any unsatisfactory administrator and withdraw his authority.
14. The primary consideration in regard to any organization, be it a nation or a labour union, is the objectives to be attained. The broad objectives of organized human effort have been, and remain, the acquisition of the maximum personal security and the maximum personal freedom. The purpose of organized society should be the attainment of these objectives in terms of the specific results which the people want with the greatest degree of efficiency.
15. There are two distinct divisions in the organization of a community.
 - (1) The sphere in which the people determine the rules (i.e. laws) that shall govern their relationships with each other and with other communities. This is the domain of government and it is in this that the people exercise their supreme authority or sovereignty.
 - (2) The sphere which is organized to satisfy the material requirements of the people. This is aptly termed the "economic" domain - the term being derived from the Greek for "housekeeping." Its sole purpose is to deliver goods and services to the people individually as, when and where required.
16. In order that the entire social organization shall function in obedience to the will of the people, it is essential that both the governmental and the economic spheres should be so organized that the people can express in a coherent manner the results they want and be able to enforce obedience to their wishes.
17. This would be a simple matter in a small primitive community where the people could meet and make their wishes known to the administrators. But it is a very different problem under present day conditions, involving nations numbering millions scattered over a wide area, besides having to take account of the highly complex systems of production, transportation, distribution and so forth.
18. Fortunately with the development of civilization the mechanism has been evolved for enabling the people to express and to obtain the results they want in both the governmental and economic spheres. It merely requires adjustment to enable it to function effectively. This mechanism is the voting system.
19. In the domain of government the voting system can be used to enable the people to specify the results they want in that sphere. And, it being an impossibility for them to come together and give effect to their wishes, the voting system enables them to choose a number of persons to represent them in carrying out their will. To the extent that the voting system fails to give effect to their sovereignty it requires readjustment.

20. In the economic sphere there is likewise a voting mechanism to enable the people to obtain the results they want in terms of goods and services. Though not generally conceived as such, the monetary system is essentially and primarily a voting system. It is the key to a functioning economic democracy.
21. When a person goes into a store with a five dollar bill and buys a pair of brown shoes manufactured by a particular firm, he performs several important functions as a citizen in a democracy. In the first place he demands the result he wants from the economic system. He likewise votes for the production of brown shoes. Finally he votes for the particular firm to remain in business.
22. To the extent an individual citizen has money, in relation to the price level of the goods on the market, he has economic voting power. To the extent he is assured of adequate economic voting power he has economic security. And to the extent that he has control over the conditions under which he obtains his economic voting power, he has freedom. For example it should require no elaboration to show that a man who is forced to work under conditions objectionable to him, at an inadequate wage and subject to dismissal at any time, the alternative being destitution, is an economic slave in the most complete sense of the term.

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23. The foregoing considerations are fundamental to the operation of an effective democracy designed to yield "government and management of the people's affairs to give them the results they want." The alternative social structure - masquerading under a multitude of labels at the present time - is a perversion of the democratic or natural form of society. Whereas under democracy the people are the effective supreme authority, under the alternative type of social organization - modern dictatorship, bureaucracy, etc. - authority is centralized and the people are forced to accept the conditions imposed upon them.

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24. It is against that background that the situation in Alberta has to be considered.

11. - Alberta's Potentialities as a Democracy.

25. The extent to which the people of Alberta could realize their "credit in association" (their social credit) and obtain the results they want from their co-operative efforts, depends upon the factors mentioned in paragraph 3 - (a) the natural resources at their disposal, (b) their knowledge of how these can be converted into wanted goods, (c) the energy at their disposal for this purpose, and (d) the efficiency of organization.
26. A cursory examination of the facts shows that the Province has abundant natural resources. Rich agricultural lands, extensive timber forests, and both within her boundaries and in the areas adjacent to the Province, a wealth of mineral deposits. Moreover, the potential energy resources in the form of coal, gas, oil and water power are almost unlimited. The knowledge of modern power production methods for applying this latent energy to the abundant natural resources for the purpose of producing a vast



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flow of goods is readily available. In short all the factors exist, and have existed for years, for enabling the people of Alberta to enjoy a very high standard of living.

27. This became the dominating issue in provincial affairs during 1934-35, following years of acute depression during which there was considerable poverty and destitution, and conditions of general economic stress. Though a similar state of affairs was common to all parts of the continent - and, for that matter, to most countries - differing only in degree, the anomaly of poverty and destitution, existing side by side with unemployed manpower and an abundance of idle resources was perhaps more striking in Alberta than elsewhere. At any rate the conditions which existed were not acceptable to the people, and in accordance with their constitutional democratic authority they demanded the conditions they wanted.
28. At this point it is necessary to digress in order to examine the causes which led to the people having imposed upon them results they did not want in defiance of their democratic authority and in spite of the fact that all the resources existed for enabling them to obtain the security and freedom which they desired.
29. The widespread poverty and general insecurity were not the result of a lack of resources to provide the people with the goods they required. The resources were available in abundance to produce food, homes, clothing and many amenities. Other products had to be obtained from outside the province, necessitating production for export. Besides the natural resources there was a large reserve of unemployed manpower. Yet the people were rendered impotent to utilize the means available to them for gaining the security and freedom they desired. Something was wrong with the organization of the economic sphere.
30. Reference back to the conditions which existed at that time will show that neither the willingness nor the ability of producers to provide goods was lacking. Their difficulty was to find markets. Yet a considerable potential market existed in the unsatisfied wants of the people as a whole. The people wanted the goods which were piled up in the stores, thus blocking their flow from producer to consumer, but they were unable to obtain them because they lacked purchasing power in the form of money. They lacked economic voting power to demand the results they wanted from the economic system.
31. It has been shown earlier that the monetary system is the essential mechanism in the organization of the economic system under a democracy. While it is outside the scope of this review to enter into a detailed examination of the monetary system, it is necessary to point out some self-evident facts in connection with its organization:

(a) Money is, for all practical purposes, a ticket to goods. The monetary system is nothing more than an elaborate system of book-keeping for purposes of keeping a record of the volume of production and providing for its equitable distribution to individuals.

(b) It follows that these tickets - money - should be issued to the people as goods are produced and they should be withdrawn as the goods are consumed.



Further, that this should be done in such a manner that the total number of the money tickets available to the people as claims to the goods, should at all times be equal to the total demand on their tickets by the prices of the goods for sale.

(c) In the first instance money is issued against the community's ability to produce goods. The money is distributed as wages, salaries, etc., to those engaged in the production of the goods, and from the raw material to the finished products all money paid away in the various stages of production are carried forward as accumulating debts against the people in the form of prices. Finally consumers surrender their money tickets equivalent to the prices of the goods they obtain and both their purchasing power and the liability represented by prices is cancelled. If a constant balance is maintained between total purchasing power and total prices, the system will be self-liquidating; - that is to say the debits against the community will always be balanced by corresponding credits.

(d) It will be apparent that control over the issue of money is a sovereign power. In the first place the volume of money issued determines the extent to which production takes place - i.e. the extent to which the community can use its ability to produce, its real credit. As this is something which the people as a whole should determine in a democracy, on this score alone this sovereign power must be vested in the people. In the second place, because the monetary system is the voting mechanism of the economic sphere, in a democracy its effective control is inseparable from the supreme authority of the people.

31. On examination it will be found that the operation of our monetary system violates these basic principles. Instead of the people, through their governmental agencies, controlling the monetary system, and, through the use of their resulting effective economic voting power, controlling production, the monetary system is controlled by a highly centralized private monopoly. Further, instead of a balance being maintained at all times between total purchasing power and the total prices of the goods on the market, the system operates in such a manner that there is always a chronic shortage of purchasing power. Where this is not the case a situation in which industry could not find purchasers for its products while the mass of people were in desperate need of those products - such as existed before the war - could not have persisted for so long and over such a wide area.

32. The implications of this are so serious and far-reaching that they need to be stressed. Nominally, in Canada, Parliament is supposed to control the monetary system. However, in practice the controllers of the monetary system control Parliament and the entire activities of the nation.

33. Under the provisions of the Bank of Canada Act, that Bank determines the volume of currency which is issued, and it is supposed to, thereby, regulate the country's monetary supply. However, the consideration which governs the volume of currency it issues is not the country's ability to produce, but the price value of the gold it has accumulated in its vaults and of certain types of paper

securities. The imbecility of such an arrangement does not seem to have been grasped even yet by the people's representatives in Parliament. However, there is another and even more important control under which the Central Bank operates, namely that which is imposed by international exchange considerations. This virtually places the control of the amount of money issued to Canadians in the hands of those who control the international exchanges.

34. However, the volume of currency is but an insignificant portion of the total money supply of the nation. By far the greater amount of money does not exist in any tangible form. It consists of credits recorded in the ledgers of the chartered banks and these are merely transferred from one account to another by means of cheques. This form of intangible money is created by the banks and issued by them in accordance with the policy they determine. The people have absolutely no control over the manner in which this money is issued, notwithstanding the fact that it is issued against the nation's real credit - that is, its ability to produce goods and services.

35. Because the system operates in such a manner that, in the aggregate, the people never have sufficient purchasing power distributed to them to enable them to buy the goods on the market, the entire economy is dislocated:

(a) The shortage of purchasing power automatically acts as a check on the issue of money by the banks to finance production.

(b) On account of the goods produced having to compete for an inadequate supply of purchasing power, internal economic strife ensues. The pressure on producers to find markets for unsaleable products drives them to blast their way into the markets of the world. Other countries being in the same plight are likewise pursuing the same policy, with the result that bitter international economic warfare develops - inevitably leading to periodic military war.

(c) Internally the result is to cause a restriction of production, resulting in increasing unemployment and growing poverty in the midst of all the resources to provide a full and abundant life.

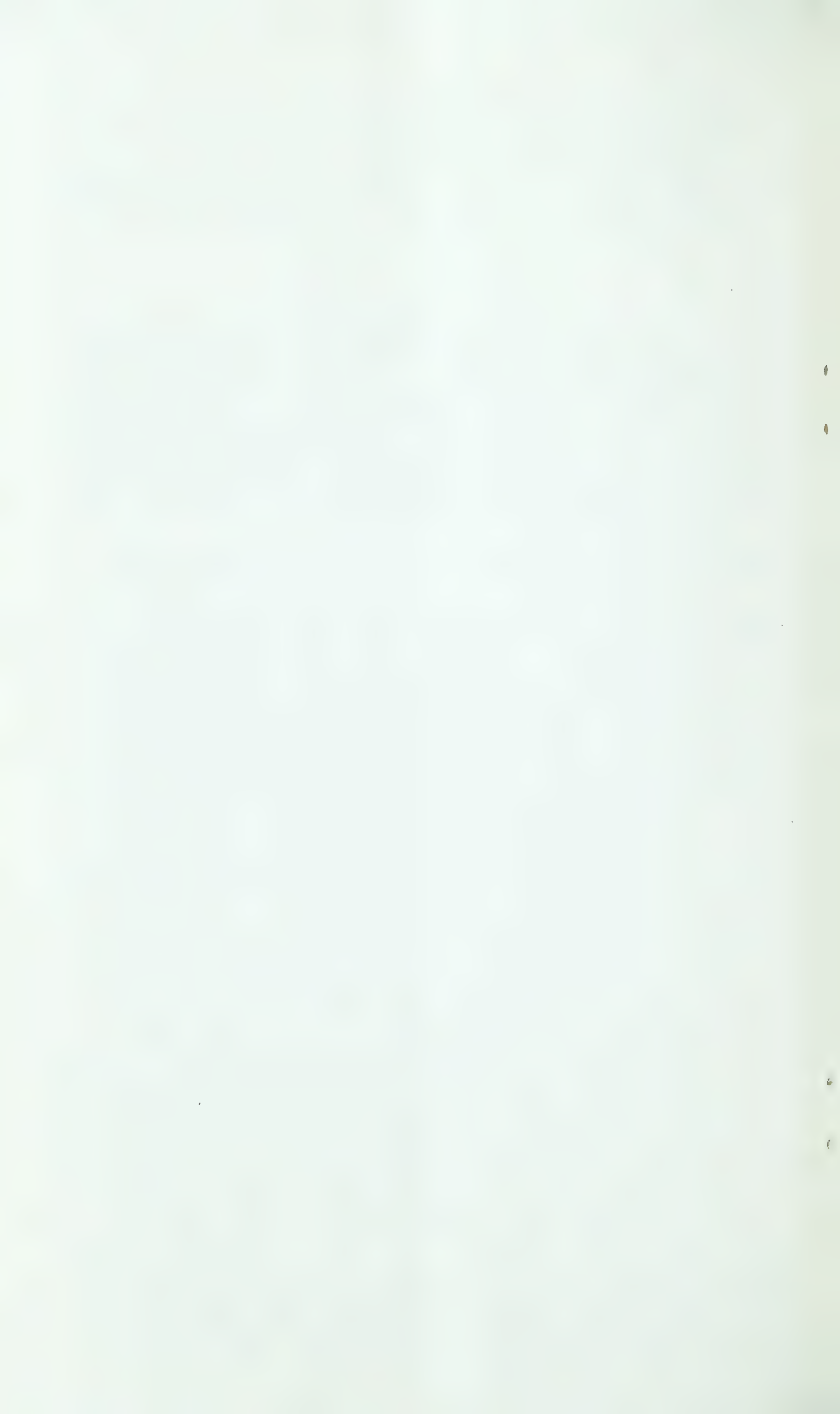
36. It will be apparent that viewed from the realistic angle of social organization, the operation of the monetary system is a complete violation of democracy. The effect of a highly centralized private monopoly controlling the monetary system, restricting production and imposing an arbitrary limitation of purchasing power upon the people to the point of causing widespread privation, has been to render inoperative the economic voting power of the people, and subject them to a system of economic serfdom under a centralized authority. Thus a financial dictatorship exists in the economic sphere, and because this condition has persisted in violation of the will of the people, effective government has, for all practical purposes, been transferred to this financial authority.

37. It was under such conditions that the people of Alberta exercised their constitutional democratic authority in 1935 to demand a reform of the provincial economy so that the resources of the province could be developed to give them the

maximum economic security with freedom. As to this representing the wishes of the overwhelming majority of the people there can be little doubt, judging by the results of the provincial and federal elections in that year. And it needs to be stressed that, while this was the dominating political issue, it was not and is not a partisan or sectional issue. It goes to the very roots of democratic government and the survival of democracy as a social system.

III. - Legislative Action.

38. Reference back to the basic principles of social organization will indicate that in order for the people of Alberta to obtain the results they wanted from their co-operative efforts as a community, of necessity they had to have unrestricted access to their ability to produce (their real credit) under an effective democratic social order in which they would control both their governmental and economic voting systems. The essential nature of the task which confronted their elected government was to gain for the people effective control of their real credit, by means of effective control of monetary policy.
39. This involved several considerations of both a constitutional and practical nature, the main ones being:
- (a) In the first place, though many seemingly well-founded doubts have been expressed regarding the Constitution of Canada, under the generally accepted constitution of the B. N. A. Act taken in conjunction with the Statute of Westminster, Alberta, as a provincial unit in the federation of provinces comprising Canada, has limited sovereignty. In regard to certain matters the people of the province are given absolute sovereignty, while in others sovereignty extends to the entire nation. The respective spheres of sovereignty are specified in the B. N. A. Act. Unless the people of Alberta wished to challenge the constitution, it was necessary that any action taken to meet their wishes in regard to the reform of the provincial economy would have to be within the limitations of the jurisdiction granted to provinces under the B. N. A. Act.
- (b) It was evident that any attempt to divest the private money monopoly of their power to control the real credit of the province and to transfer this to the people - the essential preliminary to any effective reform of the economy - would be resisted with all the means at the disposal of the money power. The reason is obvious, for if the stranglehold of their power was overthrown in Alberta with immediate and spectacular benefit to the people, it would be a very short time before the people of Canada would assert their constitutional democratic rights to gain the same benefits. And this revolt against the financial dictatorship would not have been confined to Canada, it would have spread like wildfire to other nations. After all Alberta's problem was Canada's problem, and Canada's problem was the problem of every other democratic country.
40. Under the provisions of the B. N. A. Act, jurisdiction over coins, currency, banks and banking - the instruments of the monetary system - is vested in the Federal Parliament. However, civil and property rights are reserved exclusively to Provincial jurisdiction. The primary and



basic "civil right" - right of citizenship - under democracy is the right of the people to assert their supreme authority in regard to the results they want from the management of their affairs. Linked with the term "property rights", if words have any meaning, this would seem to indicate clearly that the people of Alberta possessed the constitutional authority to determine the results which they should obtain from the use of the resources within their own boundaries, provided they did not interfere with the same right of the people of any other province. In other words the term "civil and property rights" plainly indicated that they possessed sovereign control over their real credit and, therefore, over monetary policy within their boundaries - though they had no jurisdiction over the administration of the monetary system.

41. Under the circumstances the action of the financial institutions in operating the monetary system in a manner which imposed upon the people the results they did not want and which denied them access to their resources, constituted a violation of democratic government and the usurpation of the people's civil and property rights. Accordingly in August, 1937, the Alberta Legislative Assembly enacted "The Credit Of Alberta Regulation Act" which, while scrupulously refraining from interference with administrative questions, required that the banks operating in the province should conform to the declared will of the people in providing financial facilities to give them unrestricted access to their resources for purposes of obtaining the economic security, with freedom, which they wanted.

42. In spite of the considered opinion expressed earlier by the then Federal Minister of Justice that the federal authority had no power to disallow provincial legislation since the passage of The Statute of Westminster, following a tirade against Alberta in "The Times," (mouthpiece of the money power in England,) in which the disallowance of The Alberta Act was demanded, the Federal Government announced the disallowance of "The Credit of Alberta Regulation Act." This action was followed by a series of legal battles which made it apparent that the Federal Government and the financial interests were implacably determined to block any legislative action taken by Alberta which would give the people effective control of their real credit, or which would weaken the power of the private money monopoly.

43. Faced with this situation, the Government of Alberta had two courses open to it:

(a) It could have referred the matter to the people by calling an election in which the issues would have been acceptance or rejection of the interpretation of the constitution. Such action would have led inevitably to the question of secession being raised in an acute form, with disastrous consequences to the stability of the entire national structure.

(b) The alternative course of action was to continue with the legal battles for the purpose of clarifying the issues involved and mobilizing public support over a wider field for the reforms which the people of Alberta wanted. And, concurrently, to place at the disposal of the people in the province the means for enabling them to systematically gain control of their real credit.

44. The latter alternative was adopted by the Government and the Treasury Branch system was established under an Interim Programme for the development of the Provincial economy.

1V. - Treasury Branches System.

45. Following the disallowance of the Credit of Alberta Regulation Act and the adverse decision of the courts on similar legislation, the position which existed can be summarized as follows:

(a) The people of Alberta had elected a Government by an overwhelming majority for the purpose of carrying out a reform of the provincial economy to yield them certain specific results.

(b) As has already been shown, the essential pre-requisite of any such reform was, and remains the effective control by the people of their economic voting mechanism - the monetary system - as the means for giving them access to their real credit.

(c) Legislative action to this end had been blocked by the Federal Government and the courts. In the national interest it was undersirable that this issue should be raised in such a manner that it might disrupt the country and precipitate crisis conditions as a result of which the people's plight might be rendered worse.

(d) This left the people entirely dependent upon the private banking institutions and forced to accept the conditions which the latter imposed upon them, while those institutions enjoyed the full protection of the Federal Government and the courts.

46. In these circumstances it was certain that the constitutional and legal battle in the political sphere to establish the authority of the people in regard to this vital question of control over the monetary system - their economic voting mechanism - would be both long and bitter, and would of necessity have to be carried into the wider national field. However, this did not preclude action in the economic sphere, in spite of the fact that federal legislation jealously guarded the exclusive monopoly of the private banking institutions to create, issue and withdraw money, and to manipulate the monetary system to serve their purpose.

47. It has been pointed out that, for all practical purposes, the monetary system is simply an elaborate system of book-keeping. In fact there is nothing to prevent a number of persons, or an entire community, from discarding the use of money in their transactions with each other, provided they had the facilities of a book-keeping system which would enable them to carry out their exchange of goods and services with convenience and would provide them with the means for doing business with persons outside their group.

48. It was clearly along such lines that action was necessary in order, first, to provide the people of Alberta with alternative facilities for gaining access to their credit

resources; and, second, placing at their disposal an institution under their own control so that they could systematically release themselves from the domination of the private money monopoly and gain an increasing control over their own credit resources.

49. However, such action could be successful only to the extent that it provided the people with immediate benefits by stimulating the development of the provincial economy, increasing their purchasing power and conferring increasing benefits upon those co-operating to use the alternative facilities. The Interim Programme, involving the establishment of a network of branches and agencies of the Provincial Treasury, was designed with these objectives in view.
50. However, the practical difficulties in launching a project of this nature were numerous and formidable, though by no means insuperable.

(a) In the first place the monetary system, having been the only means available to the people in the past for facilitating the exchange of goods and services, and the entire economy being geared to the monetary system, any alternative system of book-keeping would have to operate, in the first instance, as an auxiliary to it and conform to its general policy.

(b) Secondly, it was certain that any move to provide the people with such alternative facilities, which might weaken the power of the private money monopoly, would be opposed by all the means at their disposal.

(c) Thirdly, any action directed towards stimulating the development of Alberta industries was bound to be opposed by the large Eastern interests who considered that it might prejudice their market.

(d) Fourthly, because of the manner in which people have been conditioned to regard the acquisition of money as an end in itself, instead of as a means to the end of obtaining goods and services, it was inevitable that any system of book-keeping confined to recording the exchange of goods and services would meet with initial obstacles in its use, and from the very persons who agreed with its purpose.

(e) Finally, there were the practical difficulties of organizing an entirely new system of accounting, obtaining and training staff, securing and equipping premises, extending the facilities of the system to key points throughout the province so that they would be accessible to most people and explaining the operation of the system to the public in face of the opposition it was likely to invoke.

The Mechanism

51. The system of book-keeping designed to overcome the difficulties involved have since become familiar. In the first place provision was made for those who wished to deposit money, withdraw money or to transfer money to another person. This was a simple deposit and withdrawal service. However, facilities were provided for those who

wished to co-operate in establishing a new system of exchanging goods and services by merely transferring claims to them from one account to another account in the books of the Provincial Treasury. These persons deposited money (Canadian currency or claims on Canadian currency) in the first instance. Against these deposits they issued transfers of claims on goods to other depositors having accounts with the Treasury Branch only. These transfer vouchers were non-negotiable and were deposited by the recipient to the credit of his account, and he in turn could transfer them by the same means to another person with a Treasury Branch account from whom he had received goods and services. The original deposit of money remained immobilized as a reserve to meet all demands for cash in respect of transactions with persons not having accounts with the Treasury Branches.

52. As a means of stimulating the development of the provincial economy, and providing an inducement for persons to use transfer vouchers, a bonus of 3% was paid to all ultimate consumers on goods obtained from co-operating retail merchants for transfer vouchers, provided that at least one-third of such purchases were goods made in Alberta. Concurrently a publicity campaign was organized to encourage the purchase of Alberta-made goods.
53. It will be apparent that to the extent that consumers could be induced to ask for Alberta-made products, the demand for such goods would increase, resulting in increased production for Alberta industries, more jobs for Alberta workers and increased pay rolls for the people - thereby stimulating the development of Provincial resources and benefitting the business of the entire province. Proof of this was subsequently provided by the reports obtained from a number of manufacturers.
54. In the first instance five Treasury Branches were established at those rural and urban points which were considered suitable for purposes indicating any modification which might be necessary in the initial stage to meet the wishes of the people as a whole in regard to the new service. Thereafter the number of branches was steadily increased in response to public demands, until a network of branches and agencies were established throughout the province.
55. This first stage of the Interim Programme was devoted mainly to familiarizing the public with the alternative book-keeping system involving the transfer of claims on goods and services without using money, building up the organization necessary to provide this public service and at the same time directing its operation to stimulate the development of the provincial economy. Owing to the opposition which was anticipated, and the other obstacles inherent in the situation, it was found that many manufacturers and producers who were not co-operating in the operation of the Interim Programme were obtaining as much benefit directly from it as those who were co-operating enthusiastically. Another weakness revealed was that the cycle in the use of voucher deposits from the consumer to the producer and back to the consumer was disproportionately disrupted at the wholesale channel for goods.
56. It was necessary, therefore, to modify the programme accordingly, for while it was its purpose to benefit the

people as a whole, in equity, those co-operating in its operation were entitled to receive commensurate advantages. Likewise, for purposes of giving the people increasing access to their ability to produce goods for their use, it was essential that an unbroken cycle in the use of voucher transfers of claims on such goods should be developed. Accordingly the provisions of the programme were modified:

(a) All transfer voucher balances became cash balances in order to permit depositors the utmost freedom of action in regard to the change.

(b) In lieu of voucher balances which could be converted into cash, the claims on goods and services transferred by means of vouchers - known as "trade claims" - were not convertible except in the case of merchants, wholesale houses and manufacturers accepting trade claims - provision being made to meet their requirements for cash in order to obtain stocks which could not be obtained for trade claims. Provision was made also for persons leaving the province, having to meet an emergency or other special cases.

(c) The goods of those manufacturers accepting trade claims were designated "trade-marked goods," and ultimate consumers were credited with a 5% bonus on the goods obtained from co-operating retail stores for trade claims, provided 50% were "trade-marked goods."

(d) Until the arrangements for this modification were made, as a temporary measure a special bonus of 2% was allowed on all goods up to a maximum of \$100 in any month, obtained by consumers from co-operating retail merchants for trade claims.

57. The far-reaching effects of this modification were readily recognized by the private money monopoly, and they took immediate steps to block it by invoking a virtual boycott by the wholesale houses. The situation was aggravated by the stress of war conditions, particularly by the various federal controls and the increasing shortage of stocks. The increasing difficulties are likely to necessitate some further modification of the foregoing features and a general adjustment of the Interim Programme to meet the rapidly changing conditions and increasing restrictions.

58. In addition to the service outlined above, the Treasury Branches provide facilities for savings accounts and the granting of loans on suitable security, in addition to such services as the collection of drafts, the transfer of funds, fire and life insurance, etc. There is scope for an expansion of such services to the public.

Some Criticisms Answered.

59. The criticisms of the Treasury Branches system almost invariably arise from a misconception regarding the relationship of the people and the government under a democracy. The carefully fostered and widely held view that the government is something apart from the people as a whole, has led, particularly in the matters of finance, to considering government institutions much in the same light as any private business. For example the public

accounts are presented without reference to the finances of the province as a whole, with the result that they provide a false picture entirely unconnected with the financial position of the provincial economy.

60. Actually in a democracy a government exists as a mere convenience to enable the people to give effect to their collective will and, as such, its affairs are inseparably bound up with those of the people as a whole. This should be reflected in the financial statements of governments. The public accounts should be an accurate accounting of the affairs of the people as a whole and not merely a statement of revenue and expenditure of government departments. To illustrate the force of this it is necessary only to consider a single example of the present false accounting methods used by all governments alike.
61. Suppose that the government used a portion of their revenue from taxation to construct a highway from a thickly settled area to an undeveloped area rich in natural resources - say at a cost of \$1,000,000. As a result of this undertaking considerable development takes place within the ensuing five years, enhancing the well being of the people as a whole. Under the present method of presenting the public accounts, the real facts would not be apparent. The investment of \$1,000,000 would be shown as an expenditure. The additional assets of the highway and of the enhanced value of the natural resources resulting from the construction of the highway would not appear.
62. However, if, instead of constructing the highway, the money had been diverted to the payment of debt obligations to creditors outside the province, this would be shown in the public accounts - and, according to orthodox standards, the financial position of the province would be considered to have improved correspondingly, notwithstanding the fact that the people of the province would have been impoverished by the loss entailed in the highway not being constructed and, into the bargain, would have lost \$1,000,000 purchasing power as claims on their production. The falsity of such an accounting system does not need to be stressed. Likewise, its origin and the purpose for which it was designed should be apparent.
63. The chief criticism levelled against the Treasury Branches system is in regard to "the cost" of their operation. In this connection the manner in which this "cost" is generally calculated requires careful analysis, for the similarly false accounting methods are applied in arriving at this.
64. In arriving at the costs for purposes of criticism, to the total expenditures on salaries, commissions to agents and other legitimate items in the cost of operating the Treasury Branches system is added the amount distributed in bonuses to consumers to encourage the purchase of Alberta products. This is an entirely erroneous view.

(a) During the first two years during which the Interim Programme was in operation, provision for the payment of consumers' bonuses was made out of government revenue. Thus these payments represented a refund of taxation, to obtain which every taxpayer was entitled to qualify.

(b) During the following two years, after the introduction of the system of trade claims (as claims on goods and services and not on money), consumers' bonuses were credited to them in trade claims and no provision was made for their payment out of general revenue. Therefore in arriving at the cost of maintaining the Treasury Branches service, the amount of consumers' bonuses must be deducted from the money provided out of general revenue.

65. Computed on this realistic basis it will be found that the net cost of administration of the Treasury Branches has been stabilized at about \$230,000 a year for the fiscal years 1939/40 and 1940/41, while it dropped sharply to about \$105,000 a year for the past two years, notwithstanding the steady expansion of business and the corresponding increase of staff.
66. However, the administrative cost of the Treasury Branches does not represent their "cost" to the people of the province. In arriving at the latter, account must be taken of the corresponding benefits which they have received, not merely the additional service but the actual material benefits.
67. To the extent that people were induced to demand Alberta made goods when making their purchases from retail stores, the production of such goods was increased, leading to an increase in employment, total wage rolls and purchasing power. As purchasing power builds up, so the trend is accelerated and re-acts to the advantage of all sections of the business life of the province.
68. Unfortunately it is not possible to assess with any degree of accuracy the material advantages which have accrued to the Province from the operation of the Interim Programme because of the lack of reliable statistical data and the impact of war conditions on the provincial economy during the last two years. However, we know from the decrease in unemployment, the general stimulus to the business of the province, the experience of certain manufacturing firms, and the buoyancy of revenue from taxation that during the period preceding the effect of war conditions on the economy, that the advantages were considerable - certainly many times the administration cost of maintaining the Treasury Branches service.
69. Thus on an examination of the real facts it should be plain that far from the Treasury Branches being a liability to the people of the Province, they have proved a substantial asset, and that the expenditures on their maintenance have been a fruitful investment. This should be apparent to anyone with even an elementary knowledge of economics.
70. Another criticism advanced against the Treasury Branches system is that they duplicate the services of the chartered banks and are therefore a useless and unnecessary expense. Actually because of the legal limitations involved, the Treasury Branches cannot operate on the same lines as the banks and consequently are handicapped correspondingly in the service which they can render. However, to the extent they can provide the people with an alternative service with comparable efficiency and convenience, they are intended to do so. That was the purpose for which they were established, as has already been shown. But it is not correct to state that they duplicate the service rendered

by the banks, as the foregoing review of their operation and its effects on the economy indicate.

71. Closely related to the above criticism is the suggestion that whereas the banks can operate at "a profit" the Treasury Branches operate at "a loss." It has been shown already that actually the Treasury Branches operate at a very substantial profit to the people of the Province to whom they belong, and the contrary impression is created only because of the manner in which the public accounts are presented. However, reckoned from the same realistic viewpoint, the banks cannot be considered exactly profitable to the people. In the first place the banks have consistently restricted the people from having access to their resources - their real credit. Secondly, as a result of the system the banks operate, the people have incurred tremendous losses, through debt and uneconomic prices. Finally, every dollar of profit over and above their operation costs made by the banks in Alberta represents a loss of purchasing power to the people. Therefore, far from the banks being anything in the nature of an asset, they are an enormous liability.

V.- Conclusion.

72. The scope of this review is not intended to be comprehensive. It is limited to showing the purpose for which the Treasury Branches system was established and the place it occupies in the provincial economy. It will be appreciated that any consideration of the strategy for gaining the reforms necessary to establish a properly functioning democracy in both the governmental (or political) and economic spheres necessarily extends far beyond those matters which have been covered in foregoing pages.

